

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 589 - SB 875

February 18, 2017

SUMMARY OF BILL: Establishes that a home-rule municipality is authorized to levy, by one or more ordinances, a hotel occupancy tax not to exceed an aggregate of five percent of the consideration charged by the operator.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Under current law, pursuant to Tenn. Code Ann. § 67-4-1402(a), each home-rule municipality is authorized to levy by ordinance a hotel occupancy tax not to exceed five percent of the consideration charged by the operator.
- There are 14 home-rule municipalities in the state.
- The Tennessee Advisory Commission on Intergovernmental Relations' 2016 study (*Structuring Lodging Taxes to Preserve the Economy and Encourage Tourism*) reports that 11 of Tennessee's 14 home-rule cities have adopted lodging taxes, but only four levy the maximum 5 percent rate. Johnson City was granted an exception by the General Assembly in 2015, allowing the city to raise its tax to seven percent, with collections from the added two percent earmarked for tourism.
- The proposed bill clarifies that each home-rule municipality may adopt more than one ordinance to levy a hotel occupancy tax if the aggregate tax does not exceed five percent of the consideration charged by the operator.
- It is assumed that the bill is clarifying the current law and will not result in any subsequent increases in tax rates that would not have occurred otherwise under current law. Any impact on local government revenue is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee".

Krista M. Lee, Executive Director

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